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THE BANK OF CALIFORNIA

THE BANK OF CALIFORNIA: 125 YEARS OF BUSINESS Historical Notes

1864--The bank opened its doors (capitalized at \$2 million) on July 5 as the first incorporated banking institution in the West.

1870--The post-Civil War Reconstruction and completion of the transcontinental rail system heralded a period of rapid growth, urbanization, and industrialization of the West. Bank founder William Ralston started construction of the Palace Hotel, the world's largest. He also loaned Leland Stanford \$300,000, when no one else would, to finance the Central Pacific Railroad. The Bank of California played a major role in financing grain exports, California's burgeoning agriculture and manufacturing industries, and the development of trans-Pacific trade.

1872--Ralston and the Japanese government entered into a \$20 million contract concerning the minting of the gold yen. It was the first agreement involving an American business and the Japanese government.

1905--The Bank of California merged with London & San Francisco Bank, Ltd., acquiring offices in Portland, Seattle, and Tacoma.

1906--San Francisco earthquake and fire.

1908--The bank completed construction of the 400 California Street Banking Hall, the first major commercial building to rise from the ashes.

1910--The bank was awarded a federal charter. In addition, the Federal Reserve granted the bank the privilege of retaining its Oregon and Washington franchises. Thus the bank became, and has remained, the only national bank with direct offices in three states.

1919--The bank integrated a trust department to serve customers in all three states.

1954--The bank embarked on a strategy of expansion, adding 70 new offices over the next two decades.

1964--The bank opened a representative office in Manila. It was one of the first U.S. banks to open an office in the Philippines.

1968--The Bank of California established its Tokyo representative office.

1978--In anticipation of the far reaching effects of proposed deregulation, the bank began focusing its efforts on specific markets, including private banking, middle market real estate, and corporate banking, in addition to Trust and Investment Management and International banking services.

1984--The Bank of California merged with The Mitsubishi Bank, Limited, the fourth largest bank in the world.

1987--The bank acquired Bank of Palm Springs in Southern California.

1988--The Bank of California merged with Mitsubishi Bank of California, a wholly-owned subsidiary of The Mitsubishi Bank, Limited. Later in the year, it acquired Stonewall Pension Service, Inc. in Portland, Oregon.

1989--The Bank of California thrives as a full-service organization with \$7.9 billion in assets, ranking sixth among California banks. More than 50 domestic offices from the border of Canada to the border of Mexico offer banking products and services, commercial and business loans, including real estate, and a nationally recognized, pioneering private banking focus. Trust and investment management services range from institutional custody to private trust, from top-ranked investment management services to employee benefit trust services. Fourteen international and representative offices worldwide specialize in correspondent banking, trade finance, and international private banking. A growing Corporate Banking Group, working with The Mitsubishi Bank, Limited, and its global resources and presence, is expanding to serve large corporate businesses.

H I S T O R Y

Economic historians never tire of marveling at two stories of persistent health and vitality. The stories take place on opposite sides of the Pacific—in Japan and in the American Far West. In the history of The Bank of California, those two stories come together, weaving a saga of opportunity and success.

The Bank of California's story begins in gold, as so many California stories do. While some people struck it rich in California's gold fields, the most enduring successes of the Gold Rush were business people—people like Levi Strauss, for example, people who provided vital goods and services to the miners. One of these was William Ralston, a partner and occasional sea captain in a steamship company which transported would-be forty-niners to the West Coast during the Gold Rush.

In 1864 Ralston helped found The Bank of California. Through the end of the 19th century, Ralston and the bank he founded—California's first incorporated commercial bank—helped develop the Far West from its rough and tumble roots into a vital economic force. Ralston swallowed his early objections to the idea of a Central Pacific railroad, and served as director of the engineering company that built both the Central and Southern Pacific. He was founder, benefactor, and first treasurer of the University of California.

Under Ralston's guidance, The Bank of California flourished along with its clients, helping build industries throughout California—everything from woolen mills to canneries, shipyards to real estate, agriculture to timber. It seems no accident that The Bank of California was an early champion of West Coast trade with China and Japan.

Meanwhile in Japan, our parent bank's founder and Samurai warrior Yataro Iwasaki was launching one of the world's great shipping companies. The name Mitsubishi, and its distinctive three-tier diamond shaped logo, came from Iwasaki's family crest.

The finance questions of shipping led Mitsubishi into banking during the 1870's when the firm began discounting bills of exchange presented by shipping customers. That business grew to such proportions, that by 1919, The Mitsubishi Bank, Limited emerged as a full-service commercial bank.

Historians speculate Iwasaki and Ralston may well have met in the 1870's, when Ralston turned his near-boundless energies to consulting on finance and monetary reform with the Japanese government.



WHAT SETS US APART?

In a world of financial services that sometimes seems populated by clones and look-alikes, The Bank of California stands apart. There are identifiable differences in the way we are organized, the way we offer our services, the way we deal with our clients.

Size

The Bank of California does not compete in the mass financial services marketplace. Instead, we have chosen to remain a size that allows us to serve our clients in a customized way. Because we are relationship, rather than transaction oriented, we are able to build the bank's profitability through successful long-term relationships with our clients, serving them with a wide variety of services and products. Our banker-to-client ratio, among the lowest in the industry, allows us to invest the time we need in every relationship.

Strategy

We are anything but an "all things to all people" institution. Instead we have chosen to focus on the kinds of business which leverage our strengths to build lasting relationships. Rather than blanket our three-state area — California, Oregon, and Washington — with branches, our offices are strategically placed. And we are just as careful with the markets we choose to serve, innovating with products and services that differentiate us to our clients.

Resources


The Bank of California is backed by the resources of the fourth largest financial institution in the world, The Mitsubishi Bank, Limited. Our alliance with Mitsubishi Bank provides The Bank of California with capital resources, opportunities for joint ventures, a presence in the international marketplace, and a depth and breadth that allows us to serve clients more effectively.

People

In a highly customized business, relationships must be built on a client's confidence in a banker's experience, ability, and responsiveness. To ensure that we deserve that confidence, we have developed a human resource strategy which encourages people to participate with us in building a relationship with the bank. We've succeeded in that strategy; the bank enjoys one of the lowest turnover rates in the industry.

Organization

The Bank of California is organized by business units. These units include domestic banking, international banking, investment, trust, banking services, and various support groups.



Both banks prospered in the early 20th century: Mitsubishi Bank, serving its affiliated companies and an ever expanding base of corporate and consumer business, emerged as one of the largest commercial banks in the world. As a major lender, Mitsubishi Bank played a key role in the economic miracle of post-war Japan, which turned a tiny island economy into an economic super power.

The transformation led many of Mitsubishi's clients to acquire subsidiaries in California and elsewhere in the United States. In 1960, the bank itself followed them across the ocean, opening an agency office in Los Angeles. By 1971, the need had arisen for a full-service bank, and the Mitsubishi Bank of California (MBC) was chartered by the State of California.

By then, of course, The Bank of California was squarely in the middle of the most vital part of the American economy, the result of strategic growth and careful focus from the early days of the new century. In 1905, the bank had merged with the London and San Francisco Bank, Ltd., acquiring banking offices in Oregon and Washington. Five years later, when The Bank of California became a national bank, the new federal charter reserved the privilege of retaining the Oregon and Washington franchises. The bank became the only national bank with direct offices in three states, and so it has remained.

With its unique franchise, The Bank of California has continued to focus on doing what it does best—providing quality services to businesses and the individuals who own and run them.

Against a backdrop of increasing globalization, both Mitsubishi Bank and The Bank of California prospered. As the world found itself more and more interdependent, a revolution in financial services led both institutions to seek an alliance that would provide a competitive edge in a fiercely competitive marketplace. The merger in 1984, provided Mitsubishi Bank with an important link in pursuing its goal of becoming a truly multinational institution. And The Bank of California got the resources and expertise it needed to market differentiated services to a select clientele.

After several years of operating separately, Mitsubishi Bank's two California subsidiaries also joined forces. Concluded in 1988, the union between Mitsubishi Bank of California and The Bank of California forged a single institution from the complementary strengths of the two banks and invested it with the momentum needed to challenge the future.



Business Banking, an important part of our business

The Bank of California is in the business of banking business. We give our business clients the same personal attention as our individual and corporate clients. Focusing on quality middle market companies, we provide a complete range of financial, credit, and cash management services.

Just as teamwork is important in business success, our business bankers work in teams to ensure there is always someone available when a client has a question or needs assistance. Each business banker is knowledgeable about not only the bank's products and services, but how best to serve the client's business. They take the time to establish relationships with their business clients — understanding their services or industries; getting to know their management, staff, and advisors; and marshalling the bank's resources to meet the client's needs. This kind of personal attention allows our business bankers to anticipate and facilitate their clients' financial decisions.

The Bank of California offers a full range of business banking services, including: credit facilities, cash management, and investment opportunities. Our business banking relationships are based on sound financial and business practices. Each credit response is tailored to an evaluation of a particular client's business objectives. Our business banking relationships meet our clients' needs today and accommodate their plans for tomorrow.

Retail Banking, a marketplace approach

Today's retail clients are clear about what they expect from a bank — options and convenience. The Bank of California is equally clear about meeting those expectations with quality financial services and carefully selected office locations.

We deliver basic banking services, such as checking and savings, with the same attention to quality and detail as we give to more sophisticated financial services. With a strong credit card portfolio, we provide our clients with competitive rates and accurate service. We offer a variety of consumer loan products to meet the specific needs of varied client groups. And our clients enjoy the convenience of the STAR® SYSTEM and PLUS® System ATM networks.

In every Bank of California office, our staff members are knowledgeable and welcoming. They know the bank's financial products and services. They know their clients. Most importantly, they know how to match each client's needs to the products and services best suited to meet those needs.

Real Estate Banking, investing in the land

The bank's Real Estate Banking Group, operating from eight regional locations in California, Oregon, and Washington, serves the dynamic real estate market by financing developers, providing mortgage products, and through lines of credit to mortgage banking companies.

We recognize that real estate financing is a distinct line of business, requiring special expertise and training. Our real estate banking professionals are as knowledgeable and experienced in real estate as they are in finance.

We have identified attractive segments within the real estate lending field, and have developed products and services to meet the needs of each. For the individual, The Bank of California has mortgage and equity financing. For developers, our bankers put together construction and development financing for residential, commercial, and industrial projects.



D O M E S T I C B A N K I N G

Several years ago, anticipating deregulation, we realized we could not compete successfully with the major money center banks in all financial markets. So we studied other deregulated industries carefully and decided that to survive and prosper in a highly competitive market, we would have to be very selective about choosing our markets and organizing our business around them.

Private Banking, a way of doing business

The term "private banking" is as much a description of the way we do business as it is a market definition. It means meeting the needs of our clients, tailoring our products, services, and pricing to provide superior service to a select client base. It also means doing business with clients who appreciate the value of that service and are willing to pay more to receive it.

Our products and services may be similar to those provided by other financial institutions, but we differ from our competition by our flexibility—tailoring services and terms to fit our clients' specific financial needs. Our commitment to superior delivery, unparalleled accuracy, and troubleshooting on behalf of our clients are key components of the way we do business.

What do we offer our clients? A product line that includes secured and unsecured lines of credit with check access; the standard complement of transaction accounts (checking, money market, NOW accounts); access to superior Investment and Trust Divisions; and Private Service Line, a distinctive telephone banking service available to clients toll-free from anywhere in the world from 8 a.m. to 7 p.m. daily; and much more. Perhaps more important to our clients than any individual product, however, is our commitment to provide value-added service through well-qualified bankers.

Who are our clients? They include partners in some of the best-known accounting and legal firms in our markets, senior executives of major corporations and smaller privately-held, middle-market corporations and their owners. Many of our clients are household names in the business communities where our offices are located. They wield significant influence in these communities, and we recognize that fact.

Working for The Bank of California means that you work for the bank that defined private banking on the West Coast. It also means a commitment to superior service quality whether you work directly with clients or provide support "behind the scenes." Private banking is no more and no less than the people who deliver banking service to our clients.



BANKING SERVICES DIVISION

The Bank of California is a highly competitive provider of cash management and other operating services to clients of our domestic bank. The Banking Services Division is responsible for the sale, development, and delivery of these services, which are distinguished by their quality and timely delivery. The division is comprised of the Corporate Services, Payment Services, and Client Support Services units.

Corporate Services

The bank is a leader in providing non-credit service to large, middle market, and small companies. Typically, these services are divided into three categories: disbursement, depository, and information services.

Disbursement services include electronic deposit of payroll, controlled disbursement services using our Portland Office, automated account reconciliation, and various other electronic payment and transaction services.


Depository services include a lockbox service to receive our clients' customer payments in our four operating centers, receipt of electronic and wire transfer payments, and the gathering and concentration of our clients' funds from around the country on an automated basis.

Information services include TELLUS—an advanced electronic communications system that provides significant information on a daily or hourly basis to our clients by various electronic communication methods.

We have equipped and staffed ourselves to offer state-of-the-art products and services that meet almost any client requirement. We have a sophisticated and competitive product line, and we have a philosophy of personal service that allows us to accommodate unique requirements and customize our service capabilities.

The products are sold to clients by a professional sales force located in our major offices and operating centers. You can expect to see clients visiting our facilities to meet the managers and staff members who work on their banking activities.

The key to our success in non-credit services has been a combination of people, products, location, and bank commitment.



Corporate Banking, a strategic partnership

We see corporate banking relationships as just that—relationships, rather than a series of unrelated transactions. But relationships only work when the partners in the relationships are equally committed to solving the problems at hand. For that reason, we invest considerable time and energy in recruiting, training, and retaining the very best bankers we can. And many of our corporate banking officers have been with the bank for many years.

At The Bank of California, we believe the best banking services are those that are tailored to the needs of the marketplace—and our clients.

Through our banking organization, we're able to offer our client companies presence and operations throughout the West as well as the advantage of very local, very personal service. Our bankers are as familiar with the Seattle and Portland markets as they are with Los Angeles and San Francisco.

We are unique in the relationship we enjoy with our parent, The Mitsubishi Bank, Limited. Mitsubishi, one of the world's largest financial institutions, helps provide us with the resources we need to offer large-bank advantages to our clients—all without losing the individualism and service-orientation of a smaller bank.

The global sphere of influence and operations Mitsubishi offers enables us to better serve multinational clients and domestic clients with markets and manufacturing facilities overseas. Through Mitsubishi Bank we offer a wide variety of international banking services, capital services and consulting, and investment banking capabilities in the United States and financial centers throughout the Pacific Rim.

We've set high standards for our own success at The Bank of California. Our money market performances are consistently rated among the top in the country. Our service ratings from clients are very strong. Our operations capabilities, enhanced by the creative application of technology, rank high for performance in the area of speed, accuracy, and responsiveness.



INTERNATIONAL BANKING

The Bank of California has been involved in the field of international banking since William Ralston's time, and, as a matter of historic interest, issued the first commercial loan ever made by an American corporation to the Japanese government in 1872. But then, the Pacific Rim countries always have been a natural marketplace for the bank.

Our first overseas office, established in the Philippines in 1963, was designated to support the needs of our corporate clients, however, local commercial banks soon became our primary customers.


Subsequent expansion of the International Banking Group has been based on the premise that personalized service both here and overseas, when combined with state-of-the-art execution, would enable the bank to remain both competitive and profitable in a highly desirable market segment. The success of our group in making this concept work well has been demonstrated over the years by our significant contribution to the bank's bottom line, as well as by our continuing expansion during a time when most major financial institutions have either withdrawn from this business or have been consolidating their efforts.


Being bankers to overseas banks has led the International Banking Group to develop a global network. We have offices in London, Manila, Seoul, and Tokyo, supported by representative offices in Bangkok, Bombay, Cebu, Hong Kong, Kuala Lumpur, Sao Paulo, and Taipei. Cooperation between these offices is a key element of our success, as on any given day, we could be involved in the financing of soy beans from Oregon to Korea, rubber from Thailand to Japan, or iron ore from Brazil to Malaysia.

In the United States, offices with international capabilities are located in Los Angeles, New York, Portland, San Francisco, and Seattle. The primary mission of these units is to handle acceptances, cash letters, export bills, and letters of credit directed to us by our overseas clients.

Additionally, these offices serve as the home base for our Trade Development bankers. This corps of experienced business developers works closely with our geographic area staff members to develop relationships with domestic companies involved in foreign trade. The resulting business involves both credit and service products and, frequently, expands into broader relationships encompassing cash management and trust services.

The International Banking Group also provides international support to clients of our domestic bankers. This cooperation brings dual benefit to the bank, earning fees and generating additional reciprocal business.





Payment Services

This unit delivers the bank's item processing services to both private and corporate clients. Through a network of Service Centers in Seattle, Portland, San Francisco, and Los Angeles, we receive and process all the bank's incoming and outgoing checks — about 100 million items per year. Using sophisticated check processing equipment and nationwide transportation systems, Service Center staff members ensure that checks are received, processed, and sent on to other clearing banks as quickly and as accurately as possible.

Payment Services is also responsible for the card-based services, such as MasterCard, Visa, American Express Gold, and an automated teller machine card, offered to our clients for account access on a nationwide basis. Payment Services supports all these services by processing requests, issuing cards, maintaining client information files, and responding to client inquiries.

Client Support Services

The Private Service Line provides transactional banking services to our most valued clients. PSL clients can take care of their banking business by telephone from 8 a.m. to 7 p.m., Monday through Friday, because they have easy access to a staff of reliable, efficient, and professional bankers. This innovative service makes it possible for our private bankers to devote quality time to the development and expansion of profitable credit, deposit, and investment business.

Client Services supports all corporate cash management products and services by providing high quality operations service to our business clients. From one centralized location this staff of highly trained, experienced bankers answers all questions from clients or bankers regarding cash management products and services.



TRUST AND INVESTMENT MANAGEMENT

The word "trust" comes to us from roots in many languages and many cultures. But there's a common thread in all these beginnings—they all originally suggested the twin concepts of faithfulness and truth.

Those are not bad origins for a business which is built on helping individuals and businesses take care of their assets. People don't entrust lightly the assets they've inherited or built. For that reason, the strategy that The Bank of California has pursued—building personal, long-term relationships—fits perfectly into the marketing of trust services.

Our Trust Group is made up of people who specialize in working with a wide variety of clients to keep track of, manage, and increase their assets

Private Trust Services

In Private Trust, officers work with individuals and their families to plan how best to manage their financial affairs as circumstances change in life. People use private trust services to plan for their children's futures, to help a surviving spouse manage financial matters more comfortably, to relieve themselves of some of the burden of day-to-day financial management. Trust administrators are among the most flexible and versatile people in the bank. They may do everything from paying monthly bills for globe-trotting clients to supervising real estate to giving investment advice.

Employee Benefit Trust Services

Most companies, from very small to very large, provide to their employees a variety of employee benefit plans from pension sharing plans to 401(k) plans. It is critical these companies work with a professional fiduciary partner to administer, track, and manage these assets. Professionals in Employee Benefit Trust provide comprehensive, responsive trust administration, plan administration, and investment management services. They work with companies to design and implement employee benefit programs and provide reporting, clearance, settlement, and accounting services to ensure smooth operation of these plans on an ongoing basis.



I N V E S T M E N T D I V I S I O N

It's difficult to imagine a time when the market offered more opportunities to investors. Investors can put their resources into everything from stocks and bonds to money market instruments and precious metals. Deregulation has blurred the lines of who does what, and the bank has acted to position itself to meet the challenges.

Our Investment Division advises clients on financial matters, helps them develop investment strategies, and manages their investment transactions. Both individual and institutional investors benefit from our solid combination of professional expertise and personal attention.

The bank's size enables us to offer all the products and services normally made available by the largest money center institutions, including municipal and U.S. Treasury obligations, federal agency securities, money market instruments, and foreign exchange trading.

However, this vast array of activities does not prevent our Investment Division staff members from maintaining a high degree of personal service and individual attention for every investor served.

A separate but integral part of the Investment Division is BanCal Investment Services, Inc. (BISI), a subsidiary formed in 1986 to meet a new federal regulation that requires banks selling certain securities to register as broker-dealers. BISI handles discount brokerage services, some mutual funds, the Daily Tax Free Fund, and municipal bond unit trusts.



HEAD OFFICE DIVISIONS


Our bankers draw on the professional services of a number of support groups within the bank. These staff members—lawyers, accountants, and marketing and human resources professionals—contribute their expertise to the bank's success.

The Audit Division continuously reviews and measures the bank's compliance with internal and external operating regulations, helping to ensure that the services we provide our clients are secure and reliable. Staff members in the Controller's Division carry out the bank's business responsibilities—maintaining financial, budgetary, and tax records—and help develop the bank's business plans.

The Human Resources Division provides comprehensive human resources services—ranging from recruitment and employment to payroll processing, to compensation analysis and benefits. Qualified professionals provide support and guidance in meeting the bank's commitments to affirmative action and employee relations.

The bank's Legal Division is staffed by experienced attorneys, well qualified in their fields of expertise. This in-house legal staff provides advice on banking operations, trust, consumer, and personnel matters and drafts the customized loan documentation required by our private, corporate, and real estate lenders.

Bankers receive support from a group of qualified professionals in the Marketing and Corporate Communications areas. Marketing and product management staff members work with bankers to develop new products and to maintain and enhance existing services. These professionals also measure our competitors' services and help create and implement strategies for our bankers. Creative services, including advertising and collateral materials, staff and client communications, and public relations are the realm of Corporate Communications.



Investment Management Services

Through Merus Capital Management Services, the bank provides investment management to individuals, families, companies, and non-profit organizations. A group of investment professionals manages a range of investment services designed to meet the varying yield and risk objectives of our clients.

Superior investment performance doesn't just happen. Experienced analysts and portfolio managers in this group pool their knowledge of the market, anticipate economic trends, and research industries and investment options to deliver results that meet predetermined criteria.

Global Custody

Today, more than half the money raised by global corporations is in currencies other than the U.S. dollar. Global Custody helps large institutions diversify their portfolios into these high-yield overseas investments. Professionals with advanced information processing systems make it possible to meet the complex accounting and custodial requirements of international investing.

Even before it affiliated with The Bank of California, Mitsubishi Bank of California was granted a special exemption by the U.S. Department of Labor and became the first U.S. institution to hold pension assets abroad. Today, practiced administrators continue to secure for our clients all the benefits of participating in the world's major financial markets without sacrificing the custodial standards of investing at home.

Parent Company

BanCal Tri-State Corporation
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San Francisco, CA 94104

a wholly owned subsidiary of

The Mitsubishi Bank, Limited
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Principal Subsidiary

The Bank of California, N.A.
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(415) 765-0400

**Principal Subsidiaries of
The Bank of California, N.A.**

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Poway

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Rancho Mirage

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Riverside

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Mission Valley Office

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San Marcos

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S E R V I C E S M A N A G E M E N T

The Services Management Group provides data processing, security, and property management services for all bank units.

The Information Systems and Services unit operates the computers on which our transaction-based and information systems run. This group makes on-line systems available to both our bankers and clients. A staff of analysts and programmers maintain and enhance our operating systems and applications software to support the bank's full range of products and services. Systems to support new banking products are developed by this staff of dedicated professionals as well.

The Property Management unit supports the construction, rental, management, and daily operations of our offices, highrise buildings, service centers, garages, and cafeterias. The Security unit provides 24-hour guard services in our highrise buildings and service centers and assists in a variety of security issues vital to our business. Centralized purchasing, warehousing, in-plant printing, and microfilm processing services also are provided by Services Management.

The Bank of California—an illustrious yesterday and a successful today. But how can we assure a prosperous tomorrow? More strategic partnerships. Partnerships that take advantage of the bank's market position, strength, reputation, and resources.

Today, we're proud to be welcoming our newest partner to The Bank of California—you. We look forward to your ideas and your enthusiasm. Together, we're certain our bank and our clients will have a most rewarding future.

Walnut Creek

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West Covina

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Yuba City

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**Loan Production Office*

Portfolio



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Two Unique Organizations Join Forces: A Close Look at Mitsubishi Bank, Limited and The Bank of California	12

Our Cover Symbols of an alliance that spans the Pacific Basin are displayed on an island of slate from the California gold country

1 Yataro Iwasaki, Founder of Mitsubishi Bank, Limited

2 William Ralston, Founder of The Bank of California

3 Japanese currency — ¥1,000 depicts Hirobumi Ito (see page 11)

4 The three diamonds of Mitsubishi — derived from Yataro Iwasaki's family crest

5 Niboos, the old Japanese coin system that was replaced by the yen in the 1870s (see page 11)

6 Bankers' scale of the 1860s used to weigh and measure gold coins

7 Old United States currency and gold coins from The Bank of California's Money Museum of the West

8 A Bank of California ATM card, an integral part of the electronic age of banking

9 A miner's leather pouch and several gold nuggets mined during the 1860s in California, also from the Money Museum

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Portfolio

The West's first incorporated banking institution, 120-year-old Bank of California, merged into the equally historic Mitsubishi Bank, Limited, in 1984 becoming part of a worldwide financial organization with more than \$200 billion in assets. The Bank of California brings to this union a unique three-state federal charter and branch structure covering the U.S. coastline from Seattle to San Diego; a solid base of West Coast corporate, private banking, and trust clients; a thriving international banking business in the major trade centers of the Pacific Basin; and a long tradition of commitment to the Western communities and industries it serves.

Building upon traditional values and strengthened by the financial resources, international reach, and prestige of the Mitsubishi organization, The Bank of California is setting out to reaffirm its historic role as one of the West's great financial institutions.

This historic merger provides the opportunity, indeed, the catalyst, for the publication of *Portfolio*, a magazine devoted to a discussion of The Bank of California-Mitsubishi alliance and its significance to the business world, our clients, and our employees. □

A Strategic Partnership

THE BANK OF CALIFORNIA
AND MITSUBISHI BANK,
LIMITED

EXACTLY FOUR CENTURIES AGO MIYAMOTO MUSASHI WAS BORN IN JAPAN. HE WAS AN EXTRAORDINARY MAN—A GREAT WARRIOR, SAMURAI, PHILOSOPHER, AND ARTIST. UPON HIS RETIREMENT FROM YEARS OF BATTLE, HE DEVELOPED A PSYCHOLOGICAL GUIDE TO STRATEGY AND RECORDED HIS THOUGHTS IN A BOOK OF FIVE RINGS.

TODAY HIS GUIDE LIVES ON EMBRACED BY PHILOSOPHERS AND BUSINESS PEOPLE ALIKE AS A BRILLIANT STUDY IN STRATEGY. LONG HEAVILY FEARED BY ENTRAPPED JAPANESE, A BOOK OF FIVE RINGS CAUGHT ON IN THE UNITED STATES SOME YEARS AGO, AS AMERICANS WERE CAPTIVATED BY MUSASHI'S IDEAS ABOUT STRATEGIC PROGRESS TOWARD GOALS.

In a sense, the relationship between Mitsubishi Bank, Limited and The Bank of California embodies the strategic insights Musashi evolved and tested centuries ago. It is a relationship based on independence, on mutual support, on progress toward ambitious but attainable goals. To the relationship, Mitsubishi brings the assets, reputation, and experience of the twelfth largest banking institution in the world. The Bank of California brings a unique and ongoing relationship with the Pacific Rim, launched more than one hundred years ago, a three-state charter, and an individual philosophy about providing financial services.

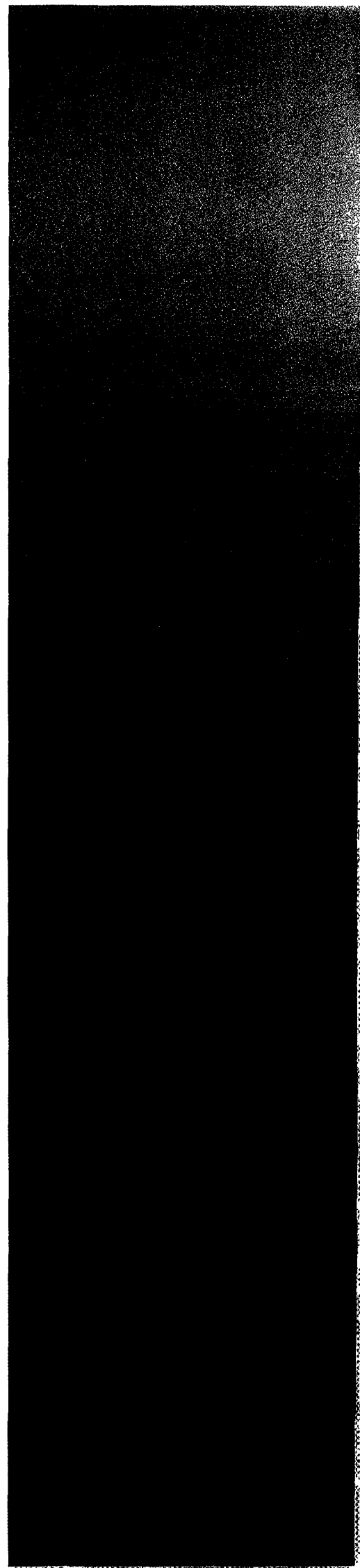
Musashi pointed out that strategic progress depends on three things: developing intuition, paying attention to details, and allocating energy and resources into activities that offer the greatest possibility of yielding rewards.

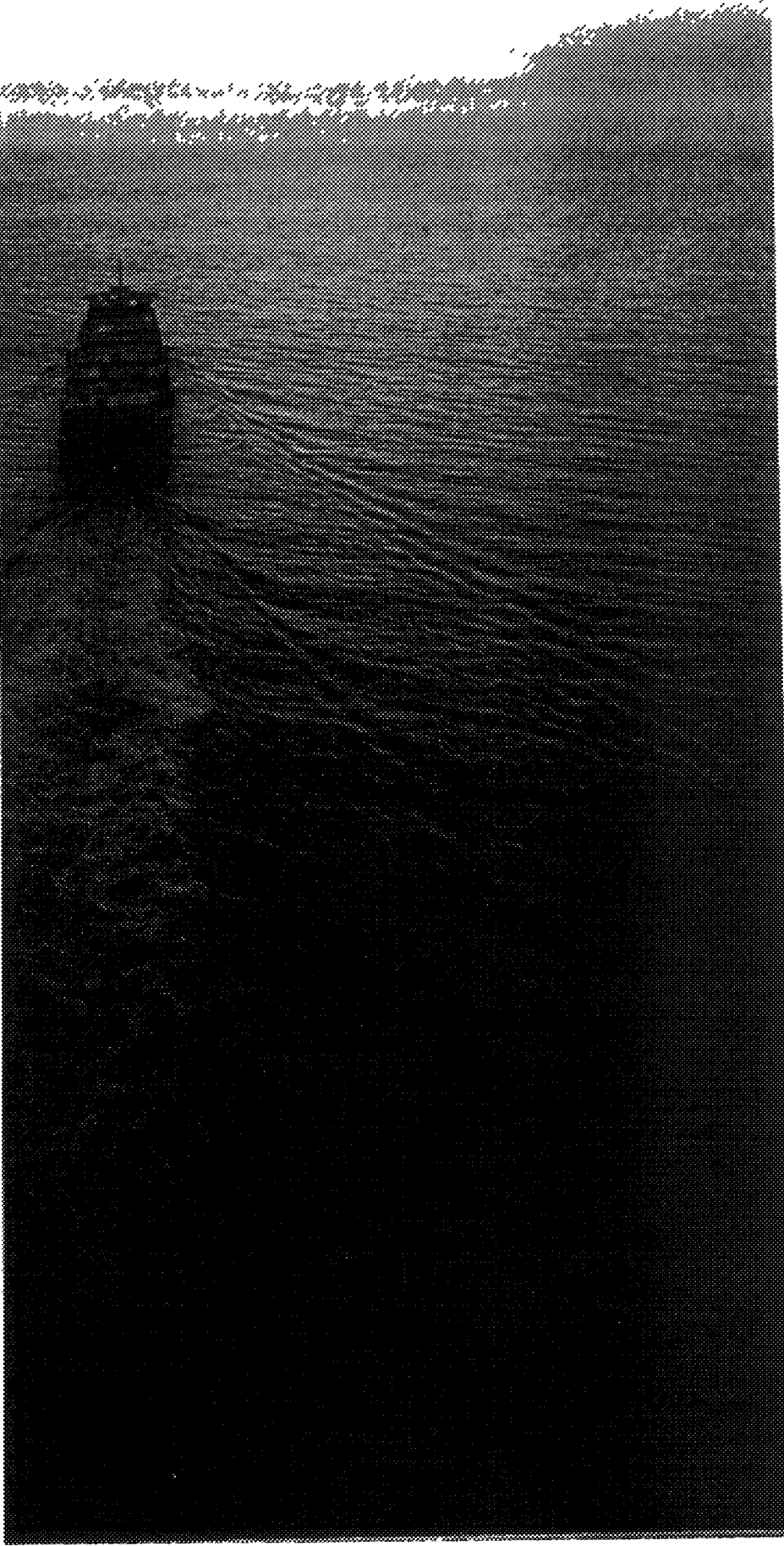
The Bank of California-Mitsubishi relationship has grown out of an understanding and commitment to those three principles. First, both institutions have developed strategies

for the future based on an intuitive understanding of fundamental changes in the financial services industry and trade relations worldwide.

For 120 years, The Bank of California has been forging an individualistic identity based on serving very specific markets very well. Responding to the challenge of the '80s, it has learned to serve corporate and private banking clients in a way that larger, less flexible, less focused institutions cannot. In an industry where the lines between financial institutions are becoming increasingly blurred, The Bank of California stands out in sharp, clear focus. Our bankers are Westerners, with roots in a company that is one of the West's oldest institutions. With that tradition and its commitment to doing business with the Pacific Rim, our bankers have developed a finely honed sensibility about dealing with banking colleagues in Asia.

Mitsubishi brings to the merged organization size, scope, and sophistication in business and banking experience in the Far East. With banking





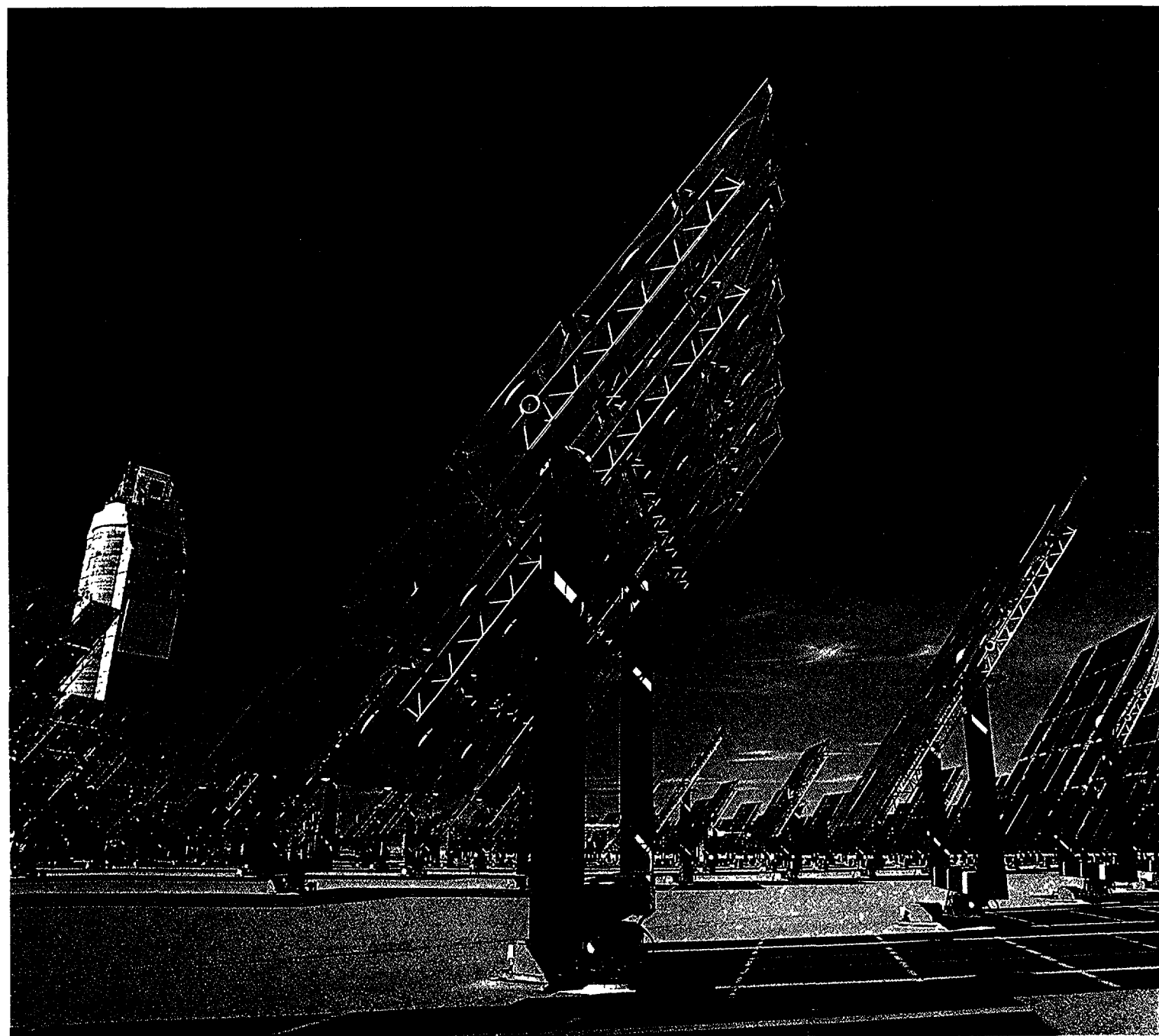
assets in excess of \$100 billion, a powerful presence in many key Japanese industries, and a keen understanding of the dynamic Asian marketplace Mitsubishi stands as a giant on the Pacific Rim. Now launched on its second century of business, Mitsubishi has been in a serious expansion mode for more than 20 years.

Particularly with the slowing pace of growth in the Japanese economy, and the actual decline in industrial output of the Atlantic nations during the first three years of the current decade, Mitsubishi's international strategists have increasingly turned their attention to trade and investment opportunities in the rapidly expanding economies of the eastern and western rims of the Pacific Basin—China, Taiwan, Korea, Australia, Singapore, Hong Kong, the resource rich developing nations of Southeast Asia—and California.

Of all the Pacific Rim markets, the West Coast of the United States has for some time been the most intriguing to Mitsubishi's management. The wealth and diversity of its economy, its importance to other Pacific Rim countries as grower and exporter of essential agricultural commodities, its technological leadership, and its strategic importance as the eastern focus of trans-Pacific trade were among the vital economic considerations that eventually led Mitsubishi to seek a stronger base in the West Coast financial services market through a merger with The Bank of California.

And The Bank of California's long-

FOR CLIENTS WHO SEEK HELP IN ACQUIRING PLANTS AND OFFICES, ESTABLISHING MARKETING AND DISTRIBUTION SYSTEMS, FINDING JOINT-VENTURE PARTNERS, ARRANGING YEN AND FOREIGN CURRENCY LOANS, THE BANK OF CALIFORNIA AND MITSUBISHI CAN BECOME TRUE PARTNERS WITH CLIENTS IN GOOD FORTUNE AND PROSPERITY.



standing relationships with major Western corporations, its strong middle market corporate banking and private banking orientation, fitted ideally with Mitsubishi's existing U.S. operations. Among the major industrial corporations in Japan, the Mitsubishi Group had been among the most active in establishing trade and business relationships with large American multinationals. The list of the group's joint venture partners reads like the first page of Fortune's 500 list: Westinghouse, Borg-Warner, Union Carbide, Uniroyal, Caterpillar, Chrysler.

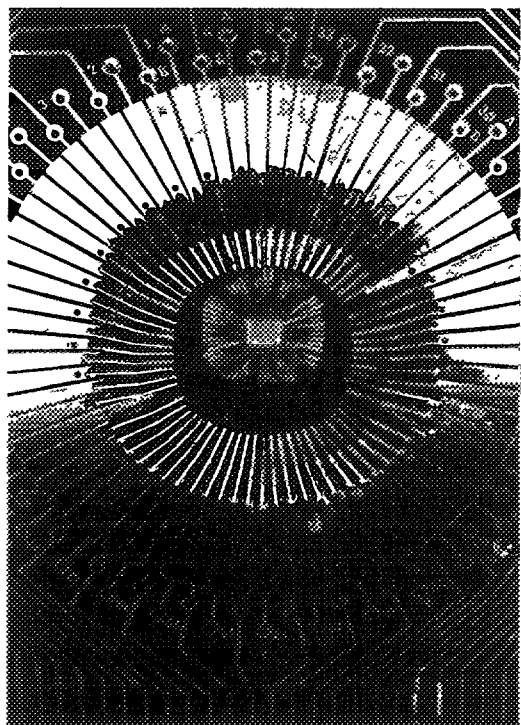
As lead banker for the group, Mitsubishi has developed close ties with these and other blue-chip American companies. Also through Mitsubishi Bank of California, it has established similar relationships with Japanese and American businesses in Southern California. Alliance with The Bank of California provides the additional contacts, local knowledge, delivery system, and strong client base to become a major competitor in the broad middle segment of the West Coast's financial services market. Thus each taking the path they knew intuitively to be right, Mitsubishi and The Bank of California found themselves on the same road.

Both institutions are equally characterized by attention to detail. The Bank of California has built a business around the concept that serving a few clients very well is wiser and more profitable than attempting to compete in a mass market. Out of that concept have grown the corporate and private banking businesses.

Corporate banking has as its keystone industry specialization, developing banking expertise targeted and tailored to the specific needs of specific businesses. Our corporate bankers come by their industry expertise organizationally; many are recruited from the industries they now serve. Private bankers bring that same level of commitment and concern, con-

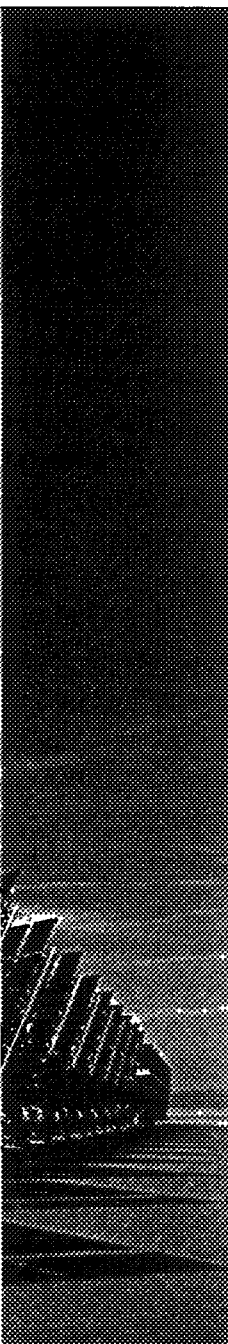
stantly searching for new ways to make more services more available to our private banking clients. Whether a client needs money management, credit, trust, or investment services, those services are available personally, professionally, conveniently.

So, too, does Mitsubishi focus on the parts that create a sum greater than the whole. The bank's careful move into more aggressive retail banking, its cautious expansion in



American markets, its ability to weather storms successfully in both the Japanese and worldwide economy, its early and innovative commitment to automated data and information management systems—all these signal the character of a very large organization paying attention to the smallest of details.

Finally, Mitsubishi and The Bank of California are brought together by a joint, powerful concern that the right resources be allocated for the right enterprises. As Mitsubishi's Sam Yamada, director, International Banking Headquarters, has indicated, he believes, like many prescient figures in the world banking community, that the center of world business is steadily moving from the Atlantic to the



Pacific Rim. That move suggests that an alliance of organizations knowledgeable about the area, about both Eastern and Western banking needs, and about the culture, economy, and character of both areas of the world offers many opportunities.

How will the merged organizations take advantage of such opportunities? Many possibilities are still emerging. For The Bank of California, the new relationship provides an opportunity

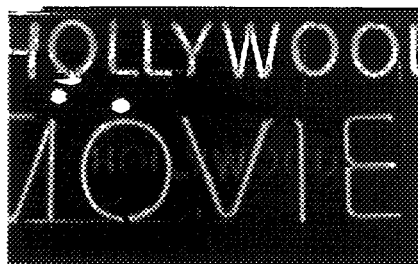
China, Hong Kong, Singapore, Indonesia, Australia, and many other locations throughout Asia. The Bank of California clients can look to us and Mitsubishi for assistance in virtually every important financial service—trade financing, letters of credit, short-term trade financing, currency exchange. Of even more significance are the kind of “advice and counsel” services that Mitsubishi’s presence in the Far East will enable us to arrange. For clients who seek help in acquiring plants and offices, establishing marketing and distribution systems, finding joint-venture partners, arranging yen and foreign currency loans—all healthy, growth-oriented activities—The Bank of California and Mitsubishi can become true partners with clients in good fortune and prosperity.

For Mitsubishi, the merged organization represents a rare opportunity for an Asian institution to deepen its understanding of the Western marketplace. Some trades in talent will take place. Mitsubishi bankers will come to The Bank of California, working side by side with American counterparts to learn more about meeting the needs of Western, American, and worldwide clients.

For both organizations, the new relationship brings a competitive edge to participation in the international marketplace. The complex and increasingly active international capital market, fee-based advisory services, sophisticated client banking services for businesses and individuals with international concerns—all these create opportunities for strategically managed banks to flourish.

The Mitsubishi-Bank of California relationship truly is a strategic one. It is rooted in a respect for independence, common goals, mutual admiration for two cultures, and a prudent, lively interest in prospering in today’s international marketplace. □

to better serve American and foreign clients who do business around the Pacific Rim. The bank has been active in financing and facilitating trade in that area of the world for more than a century. Today, to the bank’s own International Banking Group



network of offices in the United States, Japan, Korea, the Philippines, Thailand, and Malaysia, Mitsubishi enlarges the international banking reach with offices in Japan, mainland

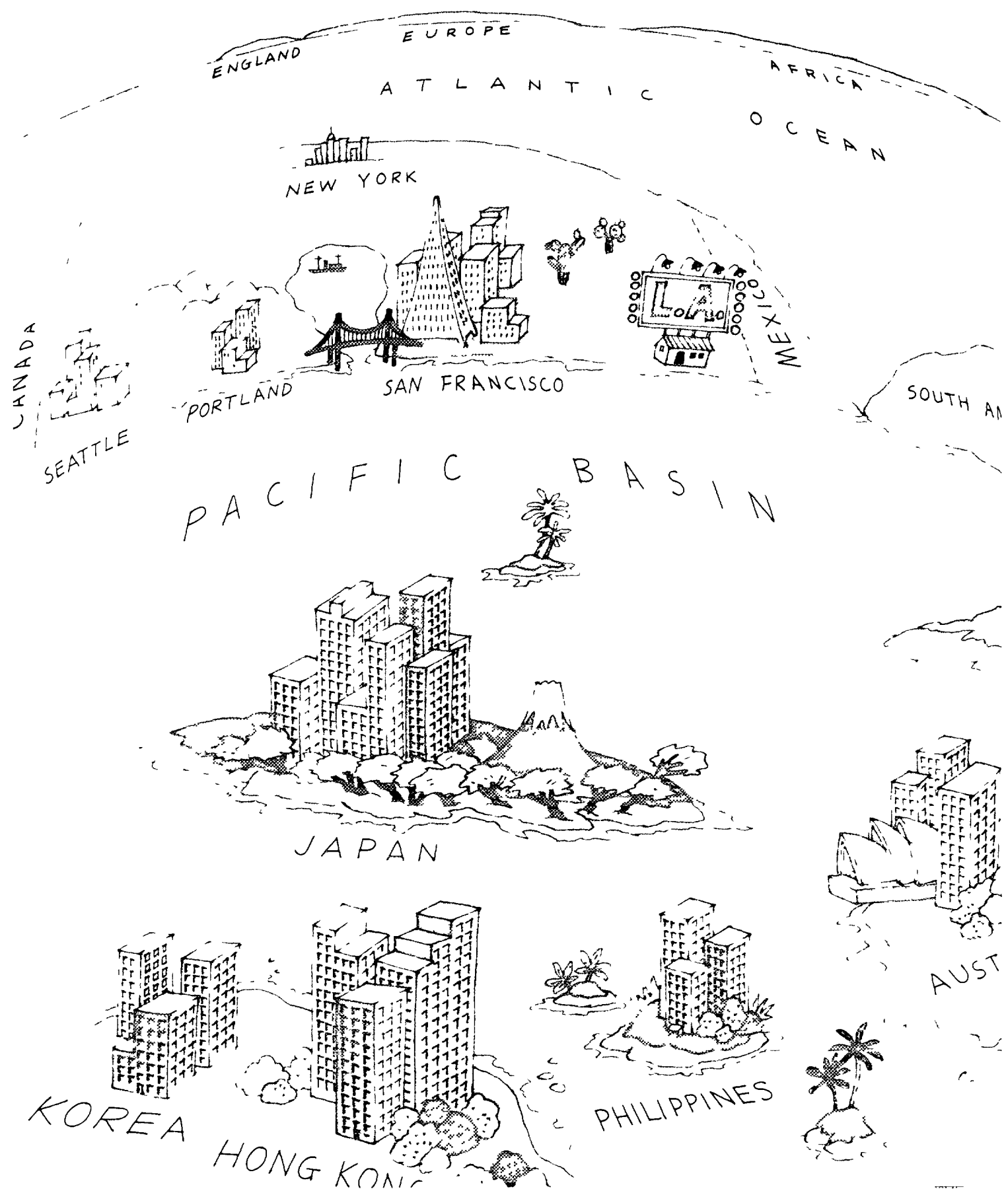
Miyamoto Musashi summarized his insights about strategy into a philosophy he called the *Way*. He believed that timing was everything, and he created his precepts within a framework that emphasized understanding — and seizing — the right moment.

In honor of “the right moment” for The Bank of California and Mitsubishi, we reproduce Musashi’s Way here:

1. Do not think dishonestly.
2. The Way is in training.
3. Become acquainted with every art.
4. Know the Ways of all professions.
5. Distinguish between gain and loss in worldly matters.
6. Develop intuitive judgment and understanding for everything.
7. Perceive those things which cannot be seen.
8. Pay attention to trifles.
9. Do nothing which is of no use. □



The Rising Pacific Tide



A significant economic milestone was passed in 1982, when, for the first time, the United States conducted more trade across the Pacific Ocean than across the Atlantic. Trans-Pacific trade (passing through the U.S. West Coast) amounted to \$121.2 billion that year, compared with \$115.8 billion for trans-Atlantic trade.* In 1981, trans-Atlantic trade still had a \$2.3 billion edge.

Of course, this shift did not occur overnight. As early as 1975, according to International Monetary Fund (I.M.F.) statistics, U.S. trade with all Asia had reached \$55.3 billion, just barely greater than the U.S. trade of \$54.2 billion with Europe. By 1980, that gap had widened to nearly \$20 billion in favor of U.S.-Asia trade. By the beginning of this decade, U.S. economic ties with Eastern Asia had become at least as significant in the balance of world power as our ties with Western Europe have been for the last 300 years. And because the economies of East Asia continue to grow far more rapidly than those of Europe, all indications are that the gap will continue to widen.

Though these figures may not seem as eventful as, say, the discovery and exploration of America by an Italian sailor looking for spice routes to the Indies, they nevertheless focus our Western culture's ancient search for the values and riches of the East in a distinctly contemporary light. Witness just a few of the recent commentaries on this revolutionary development:

Robert B. Oxnam, president of the Asia Society, contends that the growth of trade and investment between the U.S. and Asia has "been one of the most significant developments of the last decade, one that will outstrip America's relationship with Europe."

Kermit Hansen, dean emeritus of the School of Business Administration at the University of Washington, takes the sentiment even further. "This is the century of the Pacific," he wrote recently. "And bankers will play a key role in its development."

"The overwhelming European influence on U.S. culture is on the wane, giving way to the Orient, and much of that can be attributed to the growth of trade between our two areas," says Sam Yamada, director, International Banking Headquarters, Mitsubishi Bank, Limited.

This shift is having a profound influence on the United States, and it's not just bankers taking note of it. Americans are becoming more aware of the values of Asia, from corporations looking to increase worker morale and productivity through the Japanese-inspired quality circles, to individuals enrolling in courses on transcendental meditation. At the same time, businesses, from major banks to minor boutiques, are accelerating their expansion or moves from the East to West Coast.

Americans have always been pioneers and expansionists, whether into new territories, ideas, or opportunities for enrichment. The Pacific Rim seems to be the latest frontier for our restless growth. And this confrontation of different cultures across the Pacific is really, in its truest sense, a renewal of the capacity of the New World to constantly assimilate and modify the old. This time, the culture of the latest frontier, this Pacific Rim gold mine, happens to be quite different from anything encountered before—and as likely to enliven and modify the American culture as Western values have penetrated and influenced the cultures of the Pacific Rim countries.

Most of the differences are obvious: Ours is an aggressive, relatively youthful culture, comprised of quite diverse peoples, rooted in European philosophical traditions but highly individualistic, jealous of its accomplishments, and protective of its economic might. The Pacific Rim nations are remarkably homogeneous: They share a culture rooted in thousands of years of traditions and time-honored relationships.

Many of the deeply rooted patterns we discern might be termed "Confucian," after the great Chinese philosopher of the fifth century B.C.: strong family ties, respect for ancestry and authority, emphasis on the value of education, great regard for govern-

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ment and bureaucracy as a high art, distrust of formal rules and regulations, and less respect for the niceties of law or abstract principles than for preserving commitments to human relationships and mutual adjustments to solve disputes. According to Roy Hofheinz, Jr. and Kent Calder, both Harvard experts on East Asian politics and culture, the patterns and organization which account for the rise of the Pacific Rim are shared commonly across all the countries of the region.

One of the most striking characteristics shared by these nations, aside from common ancestors and written languages, is their shared traditions.

*These figures for Asian trade refer only to collective totals among the United States and other non-Communist nations of the Pacific Rim: Japan, South Korea, Taiwan, Thailand, Hong Kong, Malaysia, Singapore, Indonesia, the Philippines, Australia, and New Zealand

"The traditional Eastasia was a land of highly specialized farmers." Hofheinz and Calder write. "While modernization has driven people from the land to the factories and cities, these displaced farmhands are disciplined and tireless. It is no accident, for example, that in Taiwan today some of the most efficient assembly line workers are country women who only 10 years ago were experienced and careful transplanters of rice seedlings. Agricultural backgrounds have taught Eastasians the importance of thrift, industriousness, independence, and property ownership—all keys to a 'modern attitude.'"

"The people of many Asian countries seem to share an ethos of self-

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sacrifice and dedication to the common good," says Saburo Okita, president of Tokyo's International University. "The work ethic and discipline are stronger [in the Pacific Rim] than in Europe or North America."

Indeed, that famous thrift and industriousness have made the rest of the world take notice. For the 10 years up to 1982, for example, the average compounded growth rate of Japan, Hong Kong, South Korea, Taiwan, and Singapore was 8.2 percent per year, compared with only 2.7 percent for France, Britain, West Germany, Italy, and the Netherlands.

Even as recession engulfed much of the Western world in 1981, most non-communist Asian nations achieved growth rates of between 3 and 7 percent for the year. In Hong Kong and Singapore during that same period, output surged by 10 percent. As *Time* magazine reported, "These Pacific powerhouses contributed more to the increase in world production than the U.S., Canada, and Europe combined." Though those exceptional growth rates have fallen off in the wake of the recession, some analysts project that Asian economies will grow at an annual rate of 6 percent or so for the rest of the decade.

Given the ripe opportunities afforded American businesses engaged in trade or investments with Pacific Rim countries, it may seem axiomatic to mention that many of these opportunities derive from a recognition of common values. In fact, it is in the very heart of the developing economies of the Pacific Rim that one finds an affirmative echo of that great experiment called American capitalism. Our Asian counterparts historically have been eager to learn the lessons of prosperity that we've been "lending" them for the last three decades.

That "loan," of course, has proven a valuable boon for the lenders as well as recipients. It has given American bankers, to name only one group of beneficiaries, unique opportunities to serve a vast and dynamically expanding market.

The Bank of California, because of our century of financing or facilitating trade between the U.S. and other Pacific Rim countries, is viewed as one of the few major U.S. banks serving the region—notwithstanding our smaller size relative to other international banking competitors.

"We're viewed as an institution that has stood through adverse economic and political cycles as well as during the good times," says Magan

Patel, senior vice president in The Bank of California's International Group. "Along with our good reputation for service and our quick understanding of the needs of our Asian partners, this has given us a unique name and prominent position across the Pacific. We're known as reliable bankers. To people who place utmost importance on personal trust and a handshake, that puts us in an elite league indeed. Only half a dozen other U.S. banks can claim membership with us."

On the other side of the Pacific, Japan's Mitsubishi Bank has formulated quite a league of its own. In recent years, its foreign banking operations in the region have changed dramatically, and an increasingly larger portion of its assets has been committed to the financing of foreign credits. To a large degree, The Bank of California's partnership with one of Japan's leading financial institutions recognizes, symbolically as well as practically, that the economic health of the Pacific Rim, and in fact of the world, depends upon the cooperative efforts of the United States and Japan. U.S. and Japanese responses to the problems they face will affect all other nations of the Pacific Basin.

Says Mitsubishi's Sam Yamada, "The joining of our two organizations, in this context, focuses our great hope that solutions to the many challenges facing the Pacific Rim and U.S.-Asia relations can be achieved through intelligent pursuit of our mutual interests in trade and financing. When we combine our resources, we succeed in benefiting not only our own people, but also those who depend upon our activities to help them build strength, too."

The Pacific Rim is a neighborhood worth watching in the years to come. □

Pure Gold

THE FIRST JAPANESE-AMERICAN BUSINESS CONTRACT

In 1872 Bank of California founder William Ralston was visited by a delegation of Japanese diplomats, financiers, and scholars representing Japan's new Meiji (Enlightened Rule) government, which was in the throes of remaking its nation after Western models. Among this group's most important responsibilities—responsibilities which would take them across the Atlantic—was gathering information about currency reform.

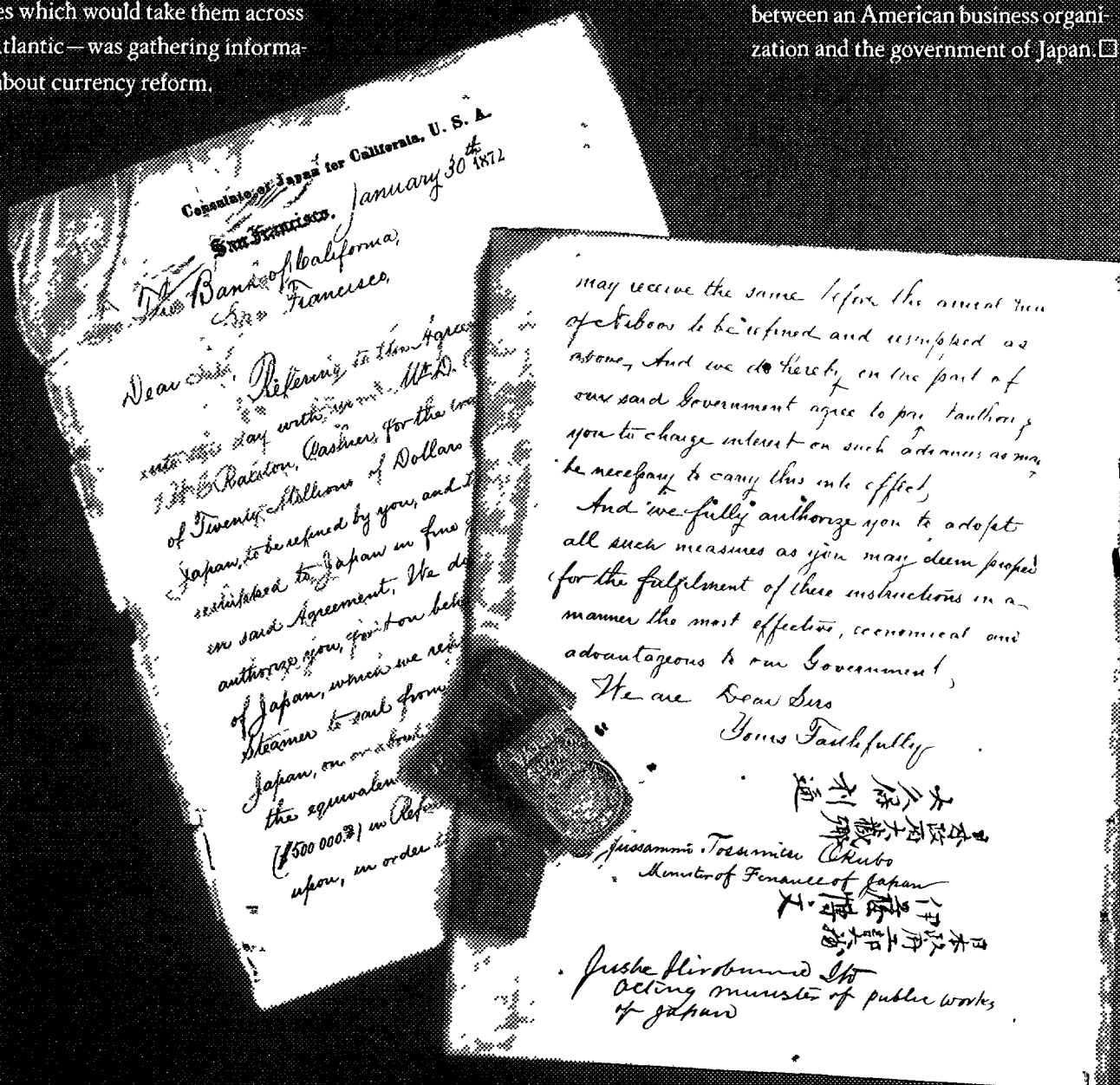
The delegation's finance expert, Hirobumi Ito, who later became the prime minister of Japan, was particularly anxious to study a monetary reform bill that Ralston had helped introduce in the United States Senate. Ito wanted to discuss with Ralston the problems of converting from Japan's archaic quaternary coinage system to a modern metric system based on a round gold coin to be called the yen.

How could those yen best be produced? In 1870 the Meiji government, after erecting a mint at Osaka, had hired a group from Great Britain to operate it. The English proposed to obtain a major part of the financing needed for the new coins by melting down and refining the old rectangular

"niboo" coins then in circulation—estimated to be worth \$20 million. As matters developed, however, refining procedures in Japan could not achieve the standards of purity required to reuse the metal profitably. Could the essential work be done in California?

Indeed it could. Ralston recommended that The Bank of California handle the program through its subsidiary, San Francisco Assaying and Refining Works. He also advanced the Japanese \$500,000 worth of pure gold so the minting of the new coins could begin in Osaka while the refining of the old coins was in progress in San Francisco.

The contract covering the arrangements was signed on January 30, 1872. It was an historic document, the first agreement ever entered into between an American business organization and the government of Japan. □



Two Unique Organizations Join Forces

A CLOSE LOOK AT MITSUBISHI BANK, LIMITED AND THE BANK OF CALIFORNIA

MITSUBISHI BANK, LIMITED *Pacific Alliance*

Mitsubishi Bank, Limited, ranks among the 12 largest commercial banks in the world, operating 226 branch offices in Japan, most of which are concentrated in the metropolitan precincts of Tokyo and Osaka. These branches serve as an enormously efficient conduit for the flow of private capital from nearly 16 million depository and investment accounts into the industrial and commercial sectors of the Japanese economy. In terms of assets it is larger than all but two U.S. banks, Citibank and Bank of America.

The bank is a member of, and lead banker to, the Mitsubishi Group, a loosely knit affiliation of more than 40 corporations, all publicly held with independent management. It is the common history, tradition, management philosophy, and name that the companies share. Seen as a group, the revenues of these companies account for an estimated 10 percent of Japan's gross national product and are the largest of all such groups in Japan.

The banking activities of Mitsubishi Bank are by no means limited to the Mitsubishi Group. Loans to companies in that group amount to only 8.3 percent of the total loan portfolio. Mitsubishi's banking operations extend beyond Japan and the Asia-Pacific to most of the leading financial centers of North and South America, Western Europe, and the Middle East. In addition to assisting

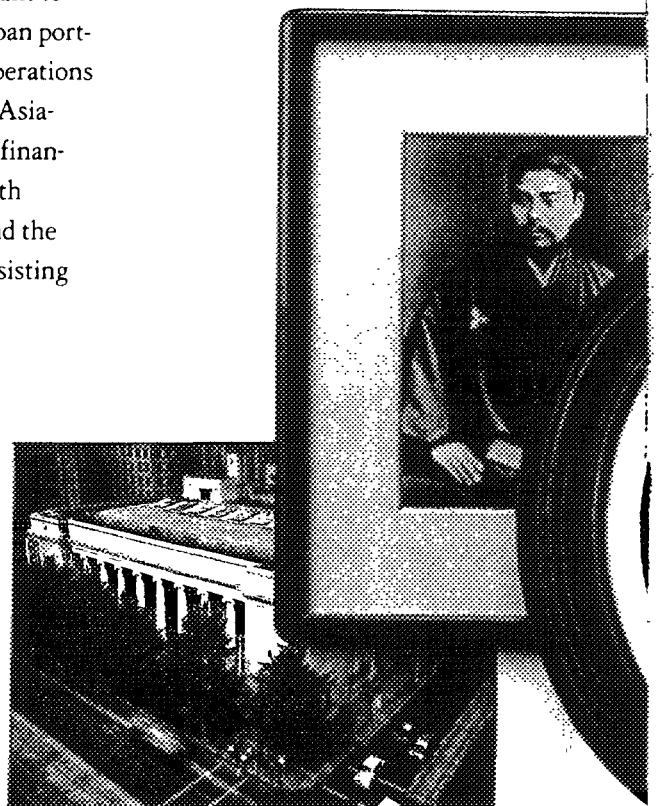
Japanese clients engaged in business and trade abroad, its 26 overseas offices and 10 international financial subsidiaries serve as commercial and investment bankers to an impressive list of foreign corporations, governments, and public entities.

Before its acquisition of The Bank of California, Mitsubishi conducted a predominantly retail banking and Japanese related banking business in California through a wholly-owned subsidiary, Mitsubishi Bank of California (MBC). MBC, with combined assets of approximately \$700 million, operates 22 offices in Southern California and three in Northern California. International banking activities are handled by Mitsubishi Bank, Limited offices in New York, Chicago, Los Angeles, and Houston.

The Three Diamonds

The bank and its affiliated companies in the Mitsubishi Group trace their common origin to a firm called Tsukumo Shokai, which was licensed by the Imperial government in 1870 to conduct a coastal shipping business between Tokyo, Osaka, and Kochi.

At that time Japan was just emerging from centuries of isolation and



THE BANK OF CALIFORNIA
*Nothing Seemed Impossible*¹

William Ralston, the man chiefly responsible for The Bank of California's founding and early development, was a contemporary of Mitsubishi's Iwasaki. It is even possible that the two met in the 1870s, when Ralston served as a consultant on finance and monetary reform to the Japanese government.

Had they met, they would have found much in common. Both began their careers in the shipping business—Ralston as a partner and sometime sea captain in a steamship company organized to transport prospectors to the West Coast during the heyday of the California Gold Rush. Both were adventurous, restless, hard-driving men.

The man who conceived and created California's first incorporated commercial bank was also a leading figure in financing the development of Nevada's Comstock Lode, whose immense deposits of gold and silver formed the basis for many a San Francisco fortune. Though an early opponent of the Central Pacific railroad plan, he later served as a director

and staunch supporter of the engineering company that built both the

Central Pacific and Southern Pacific. He was a founder, benefactor, and first treasurer of the University of California. And he built in San Francisco what was then the world's largest and most beautiful hotel, The Palace.

Under his leadership The Bank of California helped put many great western enterprises on their feet—woolen mills, silk factories, canneries, shipyards, and real estate developments. During the Civil War the bank was instrumental in financing the cultivation and export of wheat from California to Europe and the Atlantic states. The Bank of California gave early financial support to the irrigation and reclamation projects that would eventually convert the arid grasslands and tidal marshes of the San Joaquin-Sacramento Valley into one of the world's great granaries. In ensuing years our financial backing and international credit supported a rapid growth in exports of California agricultural products, canned goods, timber, and minerals to world markets. We spearheaded post-war efforts to bring about banking and currency reforms that would permit the orderly development of domestic and international commerce and, more than any

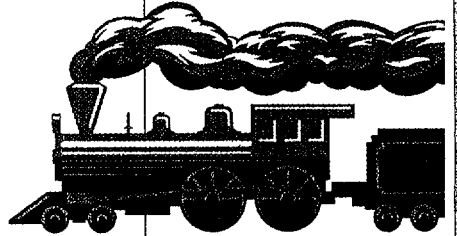
financial institution of its time, the bank championed and supported the development of the West Coast's trade with China and Japan. Through a merger with the London and San Francisco Bank, Ltd., in 1905, The Bank of California acquired banking offices in Oregon and Washington. When we

1859 Comstock Lode strike paves the way for the founding of Western banking houses including The Bank of California

1864 The Bank of California well capitalized at \$2 million opens its doors on July 5



1870 The post Civil War Reconstruction and completion of the transcontinental rail system herald a period of rapid growth, urbanization, and industrialization of the West. The Bank of California takes a major role in financing exports of grain, development of California agriculture and manufacturing, and development of trans-Pacific trade. Bank founder William Ralston also starts construction of the Palace Hotel, world's largest



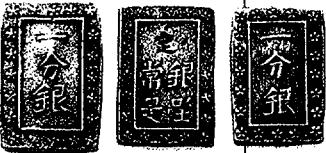
Mitsubishi, as an enterprise, gets under way when Yataro Iwasaki starts a shipping business to carry goods between Tokyo, Osaka and Kochi. Japan begins to open its doors to the world and to trade with other countries

¹ From the title of a popular biography of William Ralston by David Lavender (American West Publishing Company, Palo Alto (A.C. 1975))

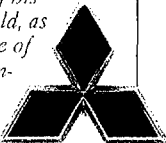


1871 Gold Standard is adopted in Japan; feudal clans are dissolved and prefectures established.

1872 Ralston and Japanese government enter into contract concerning minting of yen, first agreement entered into by an American business and the Japanese government.



1875 Mitsubishi name is adopted by Iwasaki, representing the three diamonds of his family herald, as the surname of the conglomeration of companies.



1880 The growth of the discount and exchange business gives rise to Mitsubishi Bank. Fifteen years later, the Banking Division is organized as an independent concern, strengthening Mitsubishi's ability to finance its expansion.

1905 The Bank of California merges with London & San Francisco Bank, acquiring offices in Portland, Seattle, and Tacoma.

1906 San Francisco earthquake and fire.

1908 Bank completes the first major commercial building to rise from the ashes.



MITSUBISHI BANK, LIMITED beginning to transform itself into a modern industrial state under the leadership of the Meiji (Enlightened Rule) government. Yataro Iwasaki, the founder of a new shipping company, was a Samurai warrior who became a businessman after the Samurai class was abolished by the government. He was successful in exploiting various opportunities and established himself in the shipping business. But his success did not come easy. It was not until he survived two cut-throat attempts, one by a foreign-owned company and another by a Japanese-government-sponsored company, that his became the principal shipping company in Japan.

The name Mitsubishi, adopted by Iwasaki in 1875 as the surname for his growing list of business enterprises, means three diamonds. It was derived from the three-tier diamond shape of his family crest. First employed as the ensign of his shipping line, the diamonds of Mitsubishi have since become a world-renowned symbol of three important elements—fair service, equitable dealings in quality products, and contributions to society.

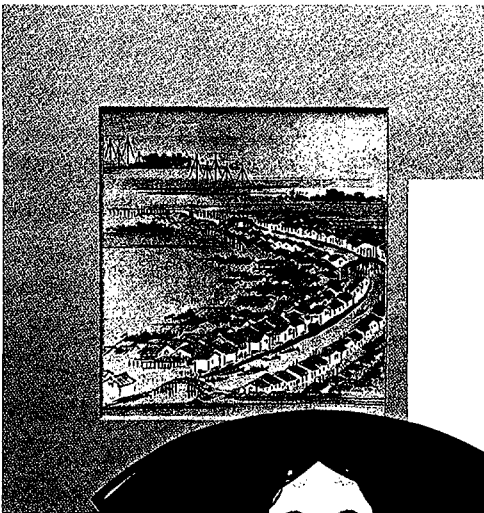
Mitsubishi got its start in banking during the 1870s as a discount-er of bills of exchange presented by its shipping customers.

The exchange business grew steadily, taking on the attributes of a full-service commercial bank, and eventually emerging as an independent corporation, Mitsubishi Bank, Limited, in 1919.

Even before its incorporation, the banking division played a pivotal role in the development of the Mitsubishi organization, helping guide and finance the development of its many

industrial and commercial interests—trading, shipbuilding, mining, chemicals, electric motors and equipment, and consumer goods manufacturing. From 1919 on, Mitsubishi Bank continued to serve as banker to its affiliated companies while steadily expanding its market base, until, by 1943, it ranked among the largest commercial banks in Japan.

Japanese corporations traditionally have chosen bank financing rather than equity markets as their preferred source of investment capital. As one of the nation's largest and most powerful lending institutions, Mitsubishi necessarily took a key part in Japan's remarkable economic development during the two decades following the Second World War, providing funds to rebuild and modernize its industrial plants, to seek out and develop new sources of raw materials, and to finance the nation's growing volume of exports. Japan's post-war prosperity and rising personal incomes brought about a new era in consumer banking, as well as a need to provide quality products and automated services that would attract its millions of thrifty savers. Once again, Mitsubishi Bank entered the competitive fray.



THE BANK OF CALIFORNIA became a national bank in 1910, our new federal charter granted us the privilege of retaining our Oregon and Washington franchises. Thus the bank became, and has remained, the only national bank with direct offices in three states.

In the six score years since its founding, The Bank of California has grown along with the Western economy, changing with the times and the trends of the marketplace. For the better part of those 120 years the bank remained, pre-eminently, a business bank, catering to the financial and commercial needs of the West's largest business houses and wealthiest business owners.

During the post-World War II flurry of California branch banking it looked on with equanimity as once-obscure savings banks mushroomed to many times its size by opening or acquiring "retail" offices on every village Main Street and in every shopping center in California. Only when threatened by a takeover did the bank reappraise its position and, first reluctantly, then with enthusiastic abandon, accede to a strategy of expansionism.

Over the next two decades the bank added 70 new offices, extending our banking network from Seattle to San Diego, establishing a

presence in the major metropolitan markets of Southern California, and more than quadrupling our deposits. But no matter how aggressively we moved into the retail business we could not begin to match our larger competitors, all of whom had gained lengthy head starts and were continuing to acquire new branches at an equally aggressive pace. By the early 1970s it had become apparent that retail banking was not as profitable for mid-sized banks as it was for the very large banks, and that the bank's preoccupation with physical expansion had begun to sap both its financial resources and its reputation as the West Coast's quality bank.

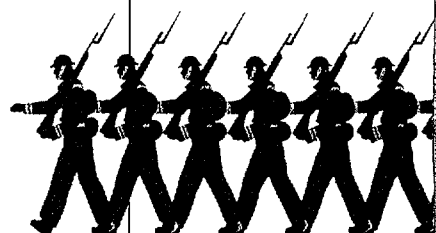
By 1976 the bank's stockholders had had enough of growth for growth's sake. New management was brought in to put the bank on a stronger financial footing and to develop a business strategy and program more suited to the character and marketing strengths of our unique institution.

Since that time, both the bank and the banking environment in which we operate have changed to an extent no one could have anticipated. Financial markets have experienced swings in inflation and interest rates of unprecedented severity. The world's economy has been struck by the longest and deepest recession in half a century. Deregulation and the rise of an entirely new species of financial service conglomerate have brought about wholesale alterations in the structure of the banking industry.

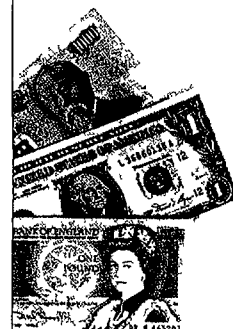
The Bank of California has emerged from this difficult transition period a much stronger, leaner, and more competitive force in

1910 *The Bank of California becomes a federally chartered bank*

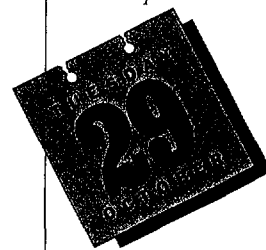
1914 *World War I breaks out*



1919 *Mitsubishi Bank, Ltd. is incorporated and becomes full fledged bank. A year later, the bank opens branches in London and New York in response to the increasing demand for foreign exchange business and local financing*



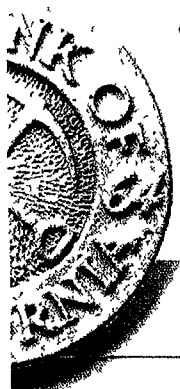
1929 *Stock market crashes, beginning of the Great Depression*



1941 *The Pacific War breaks out*

1943 *Following a merger with several larger banks Mitsubishi ranks among the top two or three largest commercial banks in Japan*

1945 *War ends*



MITSUBISHI BANK, LIMITED
Venturing Abroad

During the 1960s and 1970s, when Japanese companies began venturing abroad in search of new markets for their products, Mitsubishi moved with them, establishing overseas offices to handle trade financing, foreign exchange, and industrial development loans for its clients. Retail banking subsidiaries were established in Southern California and Brazil to serve the large Japanese communities in those markets. Merchant banking subsidiaries were established in London, Zurich, and Hong Kong. All of these subsidiaries, despite their limited time of existence, have shown remarkable success. The London subsidiary, Mitsubishi Finance International, was established in October 1983, and in its first six months of existence it was successful in managing 65 bond issues. The Zurich subsidiary, Mitsubishi Finance (Switzerland), acted as manager or underwriter for 40 issues in its second year of existence.

The London subsidiary also exemplifies Mitsubishi's first step toward a multinational institution, conducting sophisticated underwriting and other merchant banking services. Talented local people were placed in management positions to assume responsibility for major business decisions.

Mitsubishi's affiliation with The Bank of California is the next step in its evolution into a world bank. □

THE BANK OF CALIFORNIA
Western banking. Clearly ahead of its larger competitors in anticipating the impact of deregulation on California's branch banking and retail financial services markets, it has moved far more aggressively than most to eliminate redundant, high-cost overhead.

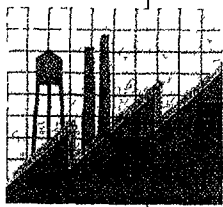
No longer a trend-follower, the bank has built a reputation as an innovative market strategist—an originator of products and services designed for the vastly different markets of the post-deregulation era. We were the first U.S. bank to sponsor a money market account, one of the first major West Coast banks to offer full-scale merchant banking services, the first to differentiate and market private banking services to a very select clientele, and the first to establish a private telephone banking service.

Once among the most labor-intensive banks in California, we have developed systems for automating and centralizing traditional branch "back office" operations, wire transfer and cash management services, trust accounting, and international trade financing services that put us in a class with the industry's technological pacesetters.

Most importantly, we have learned to focus our managerial and financial resources. In a few short years we have made the critical transition from a mass retailer of standardized banking commodities to a highly specialized financial institution providing professional, value-added banking and trust services to specifically targeted industries and business and private banking clients.

Paradoxically, the more The Bank of California has changed, the more it has come to resemble the bank as it was in that earlier era of free enterprise and unlimited opportunity, when "nothing seemed impossible." □

1950 Japan officially joins the IMF and the World Bank. Nation enters new growth era on the strength of progress in heavy and chemical industries. Then accelerates in the 60s. Personal incomes increase and Mitsubishi Bank directs attention to consumers and small enterprises in addition to its traditional corporate banking.



1955 California banks enter period of expansionism. The Bank of California joins in swelling to more than 75 offices by 1970.

1968 The Bank of California establishes its Tokyo representative office.

1973 Foreign investment in Japan is liberalized.

1978 The Japan-China Friendship treaty is concluded.

1979 Double digit inflation—creation of money market funds by non bank financial institutions.

1980 Bank deregulation begins.

1982 Balance of world trade shifts. U.S. conducts more trade across the Pacific Ocean than across the Atlantic.

1983 Mitsubishi and The Bank of California announce proposed merger.

1984 Merger consummated.



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